



Stakeholder Comments Template

Maximum Import Capability Stabilization and Multi-year Allocation

This template has been created for submission of stakeholder comments on the Maximum import capability stabilization and multi-year allocation revised straw proposal that was published on March 12, 2020. The paper, stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/StakeholderProcesses/Maximum-import-capability-stabilization-multi-year-allocation>.

Upon completion of this template, please submit it to regionaltransmission@caiso.com. Submissions are requested by close of business on **April 2, 2019**.

Submitted by	Organization	Date Submitted
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Please provide your organization's overall position on the Maximum Import Capability and Multi-year Allocation revised straw proposal:

- Support
- Support w/ caveats
- Oppose
- Oppose w/ caveats
- No position

Please provide your organization's comments on the following issues and questions.

1. Maximum Import Capability Stabilization

Please provide your organization's feedback on the maximum import capability stabilization topic as described in section 4.1. Please explain your rationale and include examples if applicable.

The comments of the California Municipal Utilities Association (CMUA) suggest broader changes to the Maximum Import Capability (MIC) paradigm and are included in Section 2 below.

2. Available Import Capability Multi-year Allocation Process

Please provide your organization's feedback on the available import capability multi-year allocation process topic as described in section 4.2. Please explain your rationale and include examples if applicable.

CMUA appreciates the work that the California Independent System Operator Corporation (CAISO) has done in this initiative to reassess the MIC methodology in light of other possible Resource Adequacy (RA) rule changes including three-year forward RA obligations adopted by some Local Regulatory Authorities.

As the CAISO pointed out in its Issue Paper, the MIC approach stemmed from a Federal Energy Regulatory Commission (FERC) Technical Conference, and dates back to 2005.¹ CMUA was actively involved in that Technical Conference and supported the MIC proposal and subsequent FERC filing. However, the MIC construct is 15 years old and is in need of a fundamental refresh.

CMUA has monitored this initiative but not provided comments previously as this issue has not had, historically, a significant impact on CMUA members, whom are publicly owned utilities. However, certain CMUA members are now reporting difficulty securing MIC to support possible import RA purchases. This difficulty stems not from the fact that the MIC is being fully utilized, but from the fact that secondary markets are not liquid and MIC is difficult to obtain to match desired commercial transactions, even for internal Load Serving Entities (LSEs) in the CAISO whom may receive allocations. An auction will not solve this problem because auction right-holders would likely still not be matched with RA transactions. In any event, auctions violate the fundamental premise that load pays for the embedded costs of the system and should be allocated these instruments as a consequence of that fact. A more fundamental reform is in order.

Most of the discussion and work performed in this initiative has focused on the MIC calculation methodology. However, CMUA members report that it is the cumbersome allocation process that is inhibiting beneficial purchases of RA imports. This becomes more critical as the CAISO itself has documented its concerns about RA shortfalls in near and medium terms.²

So long as the MIC instrument is used to ration import capability for RA purposes, CMUA fears that all the improvements to the MIC methodology and the associated stabilization will not fundamentally improve the ability of California LSEs to access RA imports.

¹ CAISO MIC Stabilization and Multi-Year Allocation Issue Paper at 4.

² Issue Paper at 2.

A simpler and more fundamental approach is called for: CMUA suggests eliminating the use of the MIC for the purposes of rationing and counting the deliverability of RA imports.

CMUA believes this position is supportable for several reasons. First, RA imports do not appear to approach aggregate MIC limitations, either under the existing or other contemplated methodologies. As Southern California Edison Company (SCE) indicated in its comments,³ energy deliveries are even lower. Thus, MIC inhibits matching willing buyers and sellers of RA import capacity rather than protecting system reliability.

CMUA recognizes that a hypothetical “chicken and egg” argument could be put forward, namely that it is the MIC requirement that is preventing procurement of RA capacity beyond the capability of the system to deliver. This argument seems to stretch credibility. Based on CMUA’s understanding, RA imports would have to double or even triple to reach the aggregate MIC limitations. Given the tightness of the overall regional capacity picture,⁴ this seems highly unlikely. If the amount of RA imports did go up significantly, it would confirm the fact that the artificial MIC convention is unreasonably restraining trade of RA products between Balancing Authority Areas (BAAs).

Second, CMUA understands the CAISO is proposing to perform a portfolio assessment of the shown RA resources that should enable the CAISO to identify if RA imports may begin to stress the overall system limitations or the limitations of any particular intertie. If CAISO LSEs had the ability to enter into RA contracts with external, physical capacity resources for delivery at specified interties without having to pre-establish an MIC allowance, such RA commitments would be included in RA showings and would be subject to evaluation in the CAISO’s portfolio sufficiency analysis. If the portfolio sufficiency test identified impediments to deliverability of the external RA capacity under specified system conditions, then the CAISO could address the impact of any such deliverability concerns through the collective deficiency process. This approach also would be more consistent than the current MIC construct with the CAISO’s objective of minimizing differences in treatment between internal and external resources for RA purposes.

CMUA recognizes that the CAISO must still make assumptions in its Transmission Planning Process (TPP) regarding MIC and import flows to assess deliverability of internal resources. At the end of the day, flows on the system should be driven by the overall economic dispatch of the system, not what is identified as designed RA resources. These two data sets may not match up. CMUA supports the need to do deliverability studies, and supports studies that are not driven by particular outcomes such as favoring internal or external resources in the deliverability assessment. **BUT**, that is not the same as then converting the assumptions into a commercial instrument that is cumbersome and restrains LSE ability to procure RA imports.

As a final matter, the assessment of import RA deliverability under the portfolio sufficiency analysis should respect Transmission Ownership Rights (TORs), Existing

³ Comments of SCE on the MIC Stabilization and Multi-Year Allocation Straw Proposal at 1.

⁴ *Exploring a Resource Adequacy Program for the Pacific Northwest: An Energy System in Transition*, Northwest Power Pool, p. 10 (Oct. 2019) at: https://www.nwpp.org/private-media/documents/2019.11.12_NWPP_RA_Assessment_Review_Final_10-23.2019.pdf.

Transmission Contracts (ETCs), and delivery requirements for pre-RA grandfathered capacity contracts, as occurs now in the MIC process. To the extent the portfolio sufficiency analysis identifies impediments to delivery of any non-grandfathered import RA resources under some conditions, the CAISO as a first step should work with the contracting parties for the affected resources to identify any viable work-around (e.g., evaluating the possibility of modifying the delivery point for an affected resource. If a work-around is not feasible, then necessary derating of import RA showings should occur on a last-in/first-out basis, and additional capacity necessary to address the impact of the derating should be treated as a collective deficiency. This derating would be similar to derating of internal resources that results from CAISO's deliverability assessment. To enable LSEs to avoid contracting for new RA import capacity at Scheduling Points at risk of being over-loaded, the CAISO should post on a monthly basis the total RA import capacity identified with each Scheduling Point and the anticipated transfer capability for that Scheduling Point. Finally, to the extent specific Scheduling Points are unable to support desired RA imports to a significant degree, in terms of magnitude and persistence of deliverability impediments, the CAISO should consider transmission upgrades as part of the TPP.

Additional comments

Please offer any other feedback your organization would like to provide on the Maximum import capability stabilization and multi-year allocation revised straw proposal.

CMUA recognizes that it is proposing a sweeping change to the current policy, and making this proposal after two rounds of comments in this initiative. CMUA's thinking on this issue did not crystalize until a review of the most recent stakeholder comments and discussions on RA imports in Track 1 of the California Public Utilities Commission RA proceeding (R. 19-11-009). CMUA is concerned that anything less than its proposed changes will not fundamentally remove the artificial impediments to trading RA among BAAs, which impediments are contributing to lessened supply being available to meet RA requirements for California LSEs.